

June 21, 2012

Mr. Chris Powell
Managing Editor
The Journal Inquirer
306 Progress Drive
Manchester, CT 06040

Dear Mr. Powell,

The Journal Inquirer's recent article, "Malloy signs bond sale changes over treasurer's warning" dated June 20, 2012, included a number of points that deserve clarification.

I am dismayed by the convoluted statements attributed to Governor Malloy that fail to grasp the real concerns I raised over the expanded bonding authority he wants for CHEFA. I have always agreed that the consolidation of two quasi-public authorities -- the Connecticut Health and Educational Facilities Authority (CHEFA) and the Connecticut Higher Education Supplemental Loan Authority (CHESLA) -- would likely enhance efficiency. However, CHEFA's new authority to issue bonds for UConn is unnecessary, costly and may confuse investors and undermine their confidence in existing UConn 2000 bonds.

Indeed, the bill just signed into law now establishes a new bonding process that is duplicative of what has been in place for 17 years, and that will surely cost taxpayers much more than what the Treasury, as the public financing arm of the State, has provided. Higher costs would result from CHEFA's administrative fees, as well as likely higher interest costs. Based on comparisons we have done, this new duplicate process could result in additional expenses of over \$8 million on a typical \$200 million financing.

And, it bears noting that the Journal Inquirer's article describes the UConn 2000 program as a 10 year, \$1.25 billion program. That initial program has been expanded and extended a few times and is now a 23 year, \$2.5 billion program which runs through 2018. Almost \$1.9 billion of new money bonds have been issued under the

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program since 1996 through a highly successful partnership between my office and the University.

With that said, highly technical legislation related to bonding will frequently need correction, and my office has been active and generous in bringing the expertise of staff and bond counsel to make necessary changes – most recently to the quasi-public authority created at the very end of the 2011 Session in Public Act 11-80, The Clean Energy Finance and Investment Authority. While Governor Malloy and the Legislature saw fit to include those changes in the recent Implementer Session, they ignored the more serious implications for expanding CHEFA’s bond-issuing authority. This then begs the question: Why did the Treasury’s attempt to call attention to another ill-advised and poorly crafted provision to grant CHEFA new authority to sell UConn bonds fall on deaf ears?

Simply put, when legislation is enacted that will result in unnecessary additional costs of issuing state bonds, and may jeopardize investor confidence in our bonds, it is my duty as State Treasurer to speak out against the measure and urge corrective action.

That the Governor chose to ignore my advice will be at his door step.

Sincerely,

Denise L. Nappier  
State Treasurer